



Virginia Small Business Financing Authority

Economic Development Loan Fund

The Virginia Small Business Financing Authority's Economic Development Loan Fund is designed to fill the financing gap between private debt financing and private equity. Funds are provided through direct loans from the VSBFA or through loan guaranties to banks to facilitate the financing of projects to create economic benefit to Virginia's communities through increased revenues and the creation of new jobs and the retention of "at risk" jobs in Virginia.

<p><u>Eligible Borrowers:</u></p> <ul style="list-style-type: none"> • Industrial Development Authorities and other Authorities empowered by the Code of Virginia to make loans for economic development purposes. • Businesses engaged in technology, tourism, basic industry, manufacturing, and those businesses or entities that provide for a locality's economic and "quality of life" development. • Businesses which derived 15% or more of their revenues from defense-dependent activities and can demonstrate economic hardship related to one of the defense downsizing. <p><u>Businesses should meet one of the following criteria:</u></p> <ul style="list-style-type: none"> • Have \$10 million or less in annual revenues over each of the last three years; or • Have a net worth of \$2 million or less; or • Have fewer than 250 employees. 	<p><u>Amount:</u></p> <p><u>Direct Loans:</u> maximum loan available from the Fund for each project is 40% or \$1,000,000, whichever is less. Minimum loan amount is \$50,000.</p> <p><u>Guaranties:</u> Loan guaranties on bank loans of up to \$1,000,000 or 75%, whichever is less.</p> <p><u>Term:</u></p> <p>Generally the loan will be amortized over the life of the assets to be purchased with a 5-year balloon.</p> <p><u>Interest Rate:</u></p> <p><u>Direct Loans:</u> Fixed base rate is tied to "like-treasuries" plus a spread based upon risk profile. Floating rate is tied to the WSJ Prime.</p> <p><u>Fee:</u></p> <p>\$500 application fee.</p> <p>Guaranty fees of up to 3% of the guaranty amount.</p>
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To qualify for assistance under the *Economic Development Loan Fund*, the applicant business must:

- Create or save permanent full-time jobs;
- Provide at least 10% of the project cost as cash equity; and
- Provide a first lien on the assets purchased with the loan proceeds; however, a subordinate lien position will be considered if required by the primary lender.
- Generate a majority of its sales from outside of Virginia

<p>Loan funds can be used for:</p> <ol style="list-style-type: none"> 1. Acquiring land and buildings 2. Leasehold improvements or expansions 3. Purchase and installation of machinery 4. Equipment purchases 5. Technology infrastructure 6. Permanent working capital (some restrictions) 	<p>Loan funds <i>cannot</i> be used to:</p> <ol style="list-style-type: none"> 1. Subsidize a business that is able to obtain financing for the project at reasonable terms from conventional sources; 2. Refinance or restructure existing bank debt; 3. Relocate a business activity from one Virginia jurisdiction to another; 4. Compensate for a fundamental business weakness; or 5. Provide short-term working capital.
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Completed applications will be reviewed by the VSBFA staff and recommendations will be made to VSBFA's Board of Directors at their next monthly meeting. See attached calendar. Credit decisions will be based on the company's creditworthiness, ability to repay the loan, and the collateral offered to secure the loan.

For additional information and application materials, contact the Financial Services Division of the Department of Business via the website; www.dba.state.va.us and look under the Financing tab or call (804) 371-8254.

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